

GILBERT COMMUNITY SCHOOL DISTRICT

INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS

JUNE 30, 2006

NEWS RELEASE

Nolte, Cornman & Johnson P.C. today released an audit report on the Gilbert Community School District in Gilbert, Iowa.

The District's revenues totaled \$11,289,699 for the year ended June 30, 2006, a 6.9 percent increase from the prior year. Revenues included \$3,657,815 in unrestricted state grants, \$4,902,630 in local tax, charges for service of \$1,432,706, operating grants, contributions and restricted interest of \$868,423, capital grants, contributions and restricted interest of \$3,394.

Expenses for District operations totaled \$10,326,029, an 11.6 percent increase from the prior year. Expenses included \$3,971,257 for regular instruction, \$1,419,070 for special instruction and \$1,120,263 for other instruction.

A copy of the audit report is available for review in the District Secretary's Office, the Office of Auditor of State, and on the Auditor of State's web site at [http: //auditor.iowa.gov/reports/reports.htm](http://auditor.iowa.gov/reports/reports.htm).

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Gilbert Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education (Before September 2005 Election)		
Jim McKean	President	2005
Marcia DeZonia	Vice President	2006
Mary Zimmerman	Board Member	2006
Janet Warg	Board Member	2007
Chris Benda	Board Member	2005
Board of Education (After September 2005 Election)		
Marcia DeZonia	President	2006
Janet Warg	Vice President	2007
Mary Zimmerman	Board Member	2006
Chris Benda	Board Member	2008
Kim Mosiman	Board Member	2008
School Officials		
John Kinley	Superintendent	2006
Johna Clancy	District Secretary/Treasurer and Business Manager	2006
Belin, Lamson, McCormick, Zumbach P.C.	Attorney	2006

NOLTE, CORNMAN & JOHNSON P.C.

Certified Public Accountants

(a professional corporation)

117 West 3rd Street North, Newton, Iowa 50208-3040

Telephone (641) 792-1910

INDEPENDENT AUDITOR'S REPORT

To the Board of Education of the
Gilbert Community School District:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Gilbert Community School District, Gilbert, Iowa, as of and for the year ended June 30, 2006, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Gilbert Community School District at June 30, 2006, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated August 10, 2006 on our consideration of Gilbert Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 13 and 35 through 36 are not required parts of the basic financial statements, but are supplementary

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information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Gilbert Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2005 (none of which are presented herein) and expressed an unqualified opinion on those financial statements. Other supplementary information included in Schedules 1 through 4, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.


NOLTE, CORNMAN & JOHNSON, P.C.

August 10, 2006

MANAGEMENT'S DISCUSSION AND ANALYSIS

Gilbert Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2006. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2006 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$7,599,960 in fiscal 2005 to \$8,305,630 in fiscal 2006, while General Fund expenditures increased from \$7,605,669 in fiscal 2005 to \$8,285,864 in fiscal 2006. Revenues surpassed expenses by \$19,766 but once the transfer of \$29,478 from the General Fund to the Debt Service Fund was made to pay principal and interest for the energy loan, this resulted in a decrease in the District's General Fund balance from \$258,496 in fiscal 2005 to a balance of \$248,784 in fiscal 2006, a 3.8% decrease from the prior year.
- The increase in General Fund revenues was mostly attributable to increases in local and state revenues in fiscal 2006. The increase in expenditures was due primarily to an increase in the negotiated salary and benefits.
- The District continues to receive local option sales and service tax from Story and Boone County.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of Gilbert Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Gilbert Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Gilbert Community School District acts solely as an agent or custodial for the benefit of those outside of the School District.

Notes to the financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year.

Other Supplementary Information provides detailed information about the nonmajor funds.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

Figure A-1
Gilbert Community School District Annual Financial Report

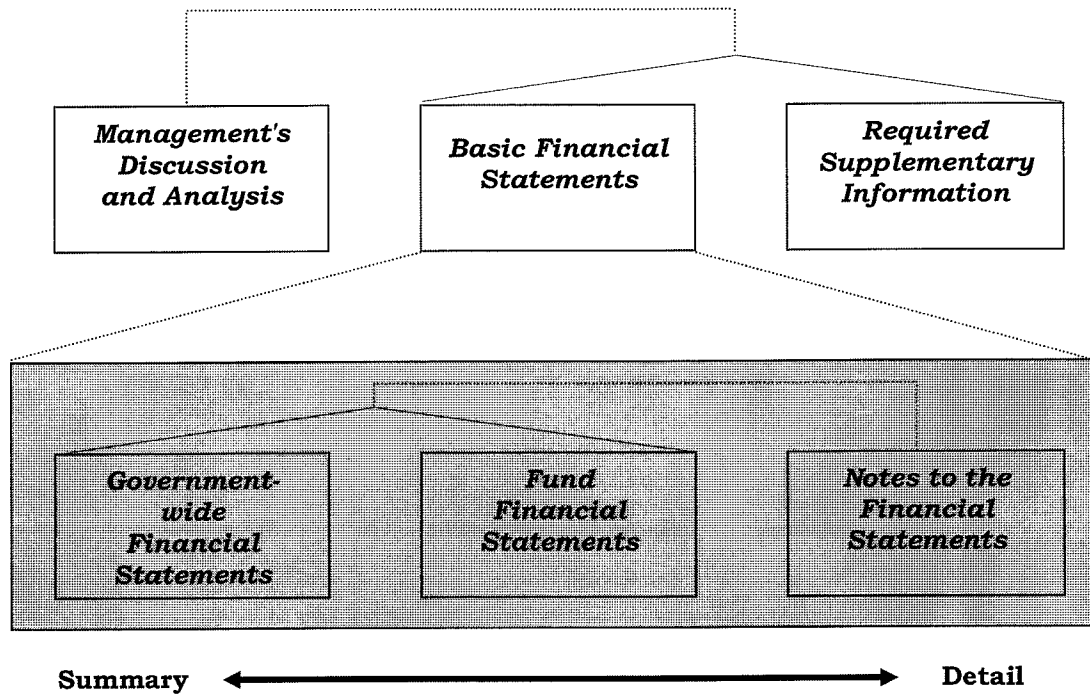


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

Figure A-2			
Major Features of the Government-wide and Fund Financial Statements			
	Government-wide Statements	Fund Statements	
		Governmental Funds	Proprietary Funds
Scope	Entire district (except fiduciary funds)	The activities of the district that are not proprietary or fiduciary, such as special education and building maintenance	Activities the district operates similar to private businesses: food services and adult education
Required financial statements	<ul style="list-style-type: none"> • Statement of net assets • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures, and changes in fund balances 	<ul style="list-style-type: none"> • Statement of Net Assets • Statement of revenues, expenses and changes in net assets • Statement of cash flows
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
Type of asset/ liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term
Type of inflow/ outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide financial statements report the District's net assets and how they have changed. Net assets – the difference between the District's assets and liabilities – are one way to measure the District's financial health or position. Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business-type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds or to show that it is properly using certain revenues such as federal grants.

The District has two kinds of funds:

- 1) *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, Special Revenue Funds, Capital Projects, and Debt Service Fund.

The required financial statements for the governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

- 2) *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide

financial statements. The District's enterprise funds, one type of proprietary fund, are the same as its business-type activities, but provide more detail and additional information, such as cash flows. The District currently has one enterprise fund, the School Nutrition Fund.

The required financial statements for the proprietary funds include a statement of revenues, expenses and changes in net assets and a statement of cash flows.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net assets at June 30, 2006 compared to June 30, 2005.

Figure A-3
Condensed Statement of Net Assets

	Governmental Activities		Business-type Activities		Total School District		Total Change
	2006	2005	2006	2005	2006	2005	2005-06
Current and other assets	\$ 9,745,360	17,112,443	\$ 24,479	20,407	\$ 9,769,839	17,132,850	-42.98%
Capital assets	15,477,612	7,465,325	27,681	33,606	15,505,293	7,498,931	106.77%
Total assets	25,222,972	24,577,768	52,160	54,013	25,275,132	24,631,781	2.61%
Long-term obligations	13,687,039	5,624,220	0	0	13,687,039	5,624,220	143.36%
Other liabilities	5,723,891	14,108,024	11,201	10,236	5,735,092	14,118,260	-59.38%
Total liabilities	19,410,930	19,732,244	11,201	10,236	19,422,131	19,742,480	-1.62%
Net assets:							
Invested in capital assets, net of related debt	5,590,456	4,553,508	27,681	33,606	5,618,137	4,587,114	22.48%
Restricted	155,322	150,148	0	0	155,322	150,148	3.45%
Unrestricted	66,234	141,868	13,278	10,171	79,512	152,039	-47.70%
Total net assets	\$ 5,812,012	4,845,524	\$ 40,959	43,777	\$ 5,852,971	4,889,301	19.71%

The District's combined net assets increased by nearly 19.71%, or \$963,670 over the prior year. The largest portion of the District's net assets is the invested in capital assets (e.g., land, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets increased approximately 3.45%, or approximately \$5,174, over the prior year.

Unrestricted net assets-the part of net assets that can be used to finance day-by-day operations without constraints established by debt covenants, enabling legislation or other legal requirements- decreased approximately 47.70%, or approximately \$72,527, from the prior year. This reduction in unrestricted net assets was a result of the District using carryover fund balance to meet its financial obligations during the year.

Figure A-4 shows the changes in net assets for the year ended June 30, 2006 compared to June 30, 2005.

Figure A-4
Changes of Net Assets

	Governmental Activities		Business-type Activities		Total School District		Total Change
	2006	2005	2006	2005	2006	2005	2005-06
Revenues:							
Program revenues:							
Charges for services	\$ 1,172,558	1,310,677	\$ 260,148	238,808	1,432,706	1,549,485	-7.54%
Operating grants and contributions and restricted interest	779,789	734,856	88,634	76,027	868,423	810,883	7.10%
Capital grants and contributions and restricted interest	3,394	0	0	0	3,394	0	100.00%
General revenues:							
Property tax	4,108,403	3,555,843	0	0	4,108,403	3,555,843	15.54%
Local option sales and service tax	794,227	999,044	0	0	794,227	999,044	0.00%
Unrestricted state grants	3,657,815	3,480,187	0	0	3,657,815	3,480,187	5.10%
Other	424,188	163,170	543	481	424,731	163,651	159.53%
Total revenues	10,940,374	10,243,777	349,325	315,316	11,289,699	10,559,093	6.92%
Program expenses:							
Governmental activities:							
Instructional	6,510,590	5,946,895	0	0	6,510,590	5,946,895	9.48%
Support services	2,106,939	1,991,640	0	0	2,106,939	1,991,640	5.79%
Non-instructional programs	17,195	8,621	352,143	329,238	369,338	337,859	9.32%
Other expenses	1,339,162	976,807	0	0	1,339,162	976,807	37.10%
Total expenses	9,973,886	8,923,963	352,143	329,238	10,326,029	9,253,201	11.59%
Change in net assets	966,488	1,319,814	(2,818)	(13,922)	963,670	1,305,892	-26.21%
Net assets beginning of year	4,845,524	3,525,710	43,777	57,699	4,889,301	3,583,409	36.44%
Net assets end of year	\$ 5,812,012	4,845,524	\$ 40,959	43,777	5,852,971	4,889,301	19.71%

In fiscal 2006, property tax and unrestricted state grants account for 70.9% of the revenue from governmental activities while charges for service and sales and operating grants and contributions account for 99.8% of the revenue from business type activities.

The District's total revenues were approximately \$11.3 million of which \$10.9 million was for governmental activities and less than \$0.4 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 6.98% increase in revenues and an 11.59% increase in expenses. Property tax increased approximately \$553,000 to fund increases in expenditures. The increases in expenses related to increases in the negotiated salary and benefits as well as increases in expenses fund by grants received by the District.

Governmental Activities

Revenues for governmental activities were \$10,940,374 and expenses were \$9,973,886. In a difficult budget year, the District amended the budget one time for \$7,691,024 total to compensate for increase expenditures during the year.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services, non-instructional programs and other expenses.

Figure A-5
Total and Net Cost of Governmental Activities

	Total Cost of Services	Net Cost of Services
Instruction	\$ 6,510,590	4,852,907
Support services	2,106,939	2,099,160
Non-instructional	17,195	17,195
Other expenses	1,339,162	1,048,883
Totals	<u>\$ 9,973,886</u>	<u>8,018,145</u>

- The cost financed by users of the District's programs was \$1,172,558.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$779,789.
- The net cost of governmental activities was financed with \$4,108,403 in local tax, \$794,227 in local option sales and service tax, \$3,657,815 in unrestricted state grants, and \$375,229 in interest income.

Business-Type Activities

Revenues of the District's business-type activities were \$349,325 and expenses were \$352,143. The District's business-type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

INDIVIDUAL FUND ANALYSIS

As previously noted, the Gilbert Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balance of \$4,115,851, below last year's ending fund balances of an \$11,564,466. However, the primary reason for the decrease is attributable to the District paying for construction projects at the middle school and the high school.

Governmental Fund Highlights

- The District's decreasing General Fund financial position is the product of many factors. Increase in local and state money resulted in an increase in revenues. However, the increase in expenditures offset the District's increase in General Fund revenues ensuring the financial position of the District.
- The Management fund balance decreased from \$61,309 in 2005, to \$32,030 in 2006, due to the continuing increase in insurance premiums every year.
- The Activity fund balance increased from \$110,235 to \$122,781, due to the controlled spending of the individual accounts.
- The Physical Plant and Equipment Levy (PPEL) fund balance increased from \$63,298 to \$65,880, due revenues exceeding expenses during the year.
- The Debt Service fund balance increased from \$395,579 in 2005, to \$871,437 in 2006.

-
- The Capital Projects fund decreased from \$10,675,549 in fiscal 2005 to \$2,774,939 in fiscal 2006. This significant decrease in fund balance is attributable to construction costs at the middle school and high school.

Proprietary Fund Highlights

The School Nutrition Fund net assets decreased \$2,818, or approximately 6%. This was due to the continuing increase in salaries and benefits, as well as, the price for food and supplies.

BUDGETARY HIGHLIGHTS

Over the course of the year, Gilbert Community School District amended its annual budget one time to reflect additional expenditures associated with instructional, support services, and other expenses functional areas.

The District's revenues were \$258,197 less than budgeted revenues, a variance of approximately 2%. The most significant variance resulted from the District receiving less in state sources than originally anticipated.

Total expenditures were less than budgeted, primarily to the District's budget for the General Fund. It is the District's practice to budget expenditures at the maximum authorized spending authority for the General Fund. The District then manages or controls General Fund spending through its line-item budget. As a result, the District's certified budget should always exceed actual expenditures for the year.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2006, the District had invested \$15.5 million, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This amount represents a net increase of approximately 52% from last year. More detailed information about capital assets is available in Note 5 to the financial statements. Depreciation expense for the year was \$273,843.

The original cost of the District's capital assets was \$19,349,655. Governmental funds account for \$19,243,989 with the remainder of \$105,666 in the Proprietary, School Nutrition Fund.

The largest change in capital asset activity during the year occurred in the construction in progress category. Continuing construction of the middle school is the reason why construction in progress had the largest change. At year end the project was not completed, therefore no depreciation can be taken on it. Therefore, the amount completed of \$10,490,056 has to be put on the construction in progress line until the project is completed.

Figure A-6
Capital Assets, Net of Depreciation

	Governmental		Business-type		Total		Total
	Activities		Activities		School District		Change
	2006	2005	2006	2005	2006	2005	2005-06
Land	\$ 459,445	459,445	\$ 0	0	\$ 459,445	459,445	0.00%
Buildings	3,783,530	3,893,958	0	0	3,783,530	3,893,958	-2.92%
Improvements other than buildings	248,679	275,024	0	0	248,679	275,024	-10.59%
Machinery and equipment	495,902	471,465	27,681	33,606	523,583	505,071	3.54%
Construction in progress	10,490,056	2,365,433	0	0	10,490,056	2,365,433	77.45%
Total	<u>\$ 15,477,612</u>	<u>7,465,325</u>	<u>\$ 27,681</u>	<u>33,606</u>	<u>\$ 15,505,293</u>	<u>7,498,931</u>	<u>51.64%</u>

Long-Term Debt

At June 30, 2006, the District had long-term debt outstanding of \$13,687,039 in general obligation bonds, revenue bonds, early retirement, and loans. This represents a decrease of 3% from last year. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 6 to the financial statements.

The District had three outstanding general obligation bonds payable for a total of \$9,390,000 at June 30, 2006.

The District has a Capital loan note payable of \$245,000, at June 30, 2006.

The District has an Energy loan payable of \$55,280, at June 30, 2006.

The District had revenue bonds payable of \$3,870,000 at June 30, 2006. Fiscal 2007 will be the first year the District will have to make principal and interest payments on these bonds.

The District also had total outstanding early retirement payable of \$126,759 at June 30, 2006.

Figure A-7
Outstanding Long-Term Obligations

	Total School District		Total
	2006	2005	Change
General obligation	\$ 9,390,000	9,740,000	-3.6%
Capital loan note	245,000	360,000	-31.9%
Energy loan	55,280	80,845	-31.6%
Revenue bonds	3,870,000	3,870,000	0.0%
Early retirement	126,759	57,179	121.7%
Totals	<u>\$ 13,687,039</u>	<u>14,108,024</u>	<u>-3.0%</u>

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited, the District was aware of several existing circumstances that could significantly affect its financial health in the future:

- Enrollment grew 6.8% or 57.9 students during the current year, and the district expects continued increases in the years to come. The increases in enrollment will help the District gain financial stability and aid in repayment of the District's obligations.
- The new middle school and renovations at the high school are nearing completion.
- The increase in interest rates will help with the Districts goal of trying to increase cash reserves.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Johna Clancy, District Board Secretary, Gilbert Community School District, 103 Mathews Drive, Gilbert, Iowa, 50105.

BASIC FINANCIAL STATEMENTS

GILBERT COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2006

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and pooled investments			
ISCAP (Note 4)	\$ 985,959	0	985,959
Other	4,018,798	18,002	4,036,800
Receivables:			
Property tax:			
Delinquent	27,623	0	27,623
Succeeding year	4,628,556	0	4,628,556
Accrued interest			
ISCAP (Note 4)	306	0	306
Due from other governments	84,088	0	84,088
Inventories	0	6,477	6,477
Capital assets, net of accumulated depreciation (Note 5)	15,477,612	27,681	15,505,293
TOTAL ASSETS	25,222,942	52,160	25,275,102
LIABILITIES			
Interest payable	94,412	0	94,412
ISCAP warrants payable (Note 4)	984,000	0	984,000
ISCAP accrued interest payable (Note 4)	250	0	250
ISCAP premiums payable	7,488	0	7,488
Deferred revenue:			
Succeeding year property tax	4,628,556	0	4,628,556
Other	9,185	11,201	20,386
Long-term liabilities (Note 6):			
Portion due within one year:			
General obligation bonds	360,000	0	360,000
Revenue bonds	390,000	0	390,000
Energy loan	26,924	0	26,924
Capital loan	120,000	0	120,000
Early retirement	78,759	0	78,759
Portion due after one year:			
General obligation bonds	9,030,000	0	9,030,000
Energy loan	28,356	0	28,356
Capital loan	125,000	0	125,000
Revenue bonds	3,480,000	0	3,480,000
Early retirement	48,000	0	48,000
TOTAL LIABILITIES	19,410,930	11,201	19,422,131
NET ASSETS			
Investment in capital assets, net of related debt	5,590,456	27,681	5,618,137
Restricted for:			
Salary improvement program	12,629	0	12,629
Phase III	19,912	0	19,912
Other special revenue purposes	122,781	0	122,781
Unrestricted	66,234	13,278	79,512
TOTAL NET ASSETS	\$ 5,812,012	40,959	5,852,971

SEE NOTES TO FINANCIAL STATEMENTS.

GILBERT COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2006

	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		Total
	Charges for Expenses	Operating Grants, Contributions and Restricted Services Interest	Capital Grants, Contributions and Restricted Interest		Governmental Activities	Business-Type Activities	
Functions/Programs							
Governmental activities:							
Instruction:							
Regular instruction	\$ 3,971,257	676,234	485,125	0	(2,809,898)	0	(2,809,898)
Special instruction	1,419,070	104,821	0	0	(1,314,249)	0	(1,314,249)
Other instruction	1,120,263	391,503	0	0	(728,760)	0	(728,760)
	6,510,590	1,172,558	485,125	0	(4,852,907)	0	(4,852,907)
Support services:							
Student services	68,533	0	0	0	(68,533)	0	(68,533)
Instructional staff services	346,445	0	0	0	(346,445)	0	(346,445)
Administration services	802,988	0	0	0	(802,988)	0	(802,988)
Operation and maintenance of plant services	541,328	0	0	0	(541,328)	0	(541,328)
Transportation services	347,645	0	7,779	0	(339,866)	0	(339,866)
	2,106,939	0	7,779	0	(2,099,160)	0	(2,099,160)
Non-Instructional:							
Community service & education operations	17,195	0	0	0	(17,195)	0	(17,195)
Other expenditures:							
Facilities acquisitions	498,109	0	0	3,394	(494,715)	0	(494,715)
Long-term debt interest	417,392	0	0	0	(417,392)	0	(417,392)
AEA flowthrough	286,885	0	286,885	0	0	0	0
Depreciation(unallocated)*	136,776	0	0	0	(136,776)	0	(136,776)
	1,339,162	0	286,885	3,394	(1,048,883)	0	(1,048,883)
Total governmental activities	9,973,886	1,172,558	779,789	3,394	(8,018,145)	0	(8,018,145)
Business-Type activities:							
Non-instructional programs:							
Nutrition services	352,143	260,148	88,634	0	0	(3,361)	(3,361)
Total business-type activities	352,143	260,148	88,634	0	0	(3,361)	(3,361)
Total	\$ 10,326,029	1,432,706	868,423	3,394	(8,018,145)	(3,361)	(8,021,506)
General Revenues:							
Property tax levied for:							
General purposes				\$ 2,999,891	0		2,999,891
Debt services				764,394	0		764,394
Capital outlay				344,118	0		344,118
Local option sales and services tax				794,227	0		794,227
Unrestricted state grants				3,657,815	0		3,657,815
Unrestricted investment earnings				375,229	543		375,772
Other				48,959	0		48,959
Total general revenues				8,984,633	543		8,985,176
Changes in net assets				966,488	(2,818)		963,670
Net assets beginning of year				4,845,524	43,777		4,889,301
Net assets end of year				\$ 5,812,012	40,959		5,852,971

* This amount excludes the depreciation that is included in the direct expense of various programs.

SEE NOTES TO FINANCIAL STATEMENTS.

GILBERT COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2006

	General	Capital Projects	Debt Service	Other Special Revenue Funds	Total
ASSETS					
Cash and pooled investments					
ISCAP (Note 4)	\$ 985,959	0	0	0	985,959
Other	230,557	2,704,239	866,298	217,704	4,018,798
Receivables:					
Property tax					
Delinquent	19,497	0	5,139	2,987	27,623
Succeeding year	3,229,709	0	762,356	636,491	4,628,556
Accrued interest					
ISCAP (Note 4)	306	0	0	0	306
Due from other governments	13,388	70,700	0	0	84,088
TOTAL ASSETS	\$ 4,479,416	2,774,939	1,633,793	857,182	9,745,330
LIABILITIES AND FUND BALANCES					
Liabilities:					
ISCAP warrants payable (Note 4)	984,000	0	0	0	984,000
ISCAP accrued interest payable (Note 4)	250	0	0	0	250
ISCAP premiums payable	7,488	0	0	0	7,488
Deferred revenue:					
Succeeding year property tax	3,229,709	0	762,356	636,491	4,628,556
Other	9,185	0	0	0	9,185
Total liabilities	4,230,632	0	762,356	636,491	5,629,479
Fund balances:					
Reserved for:					
Debt service	0	0	871,437	0	871,437
Teacher compensation	12,629	0	0	0	12,629
Phase III	19,912	0	0	0	19,912
Unreserved:					
Undesignated	216,243	2,774,939	0	220,691	3,211,873
Total fund balances	248,784	2,774,939	871,437	220,691	4,115,851
TOTAL LIABILITIES AND FUND BALANCES	\$ 4,479,416	2,774,939	1,633,793	857,182	9,745,330

SEE NOTES TO FINANCIAL STATEMENTS.

GILBERT COMMUNITY SCHOOL DISTRICT
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2006

Total fund balances of governmental funds (page 16)	\$ 4,115,851
<i>Amounts reported for governmental activities in the statement of net assets are different because:</i>	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	15,477,612
Accrued interest payable in long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.	(94,412)
Long-term liabilities, including bonds payable, capital loan note payable, energy loan payable, and early retirement are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	<u>(13,687,039)</u>
Net assets of governmental activities (page 14)	<u>\$ 5,812,012</u>

SEE NOTES TO FINANCIAL STATEMENTS.

GILBERT COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2006

	General	Capital Projects	Debt Service	Other Special Revenue Funds	Total
REVENUES:					
Local sources:					
Local tax	\$ 2,899,835	0	764,394	444,174	4,108,403
LOSST	0	794,227	0	0	794,227
Tuition	781,055	0	0	0	781,055
Other	184,381	244,620	29,671	357,040	815,712
State sources	4,248,661	0	391	227	4,249,279
Federal sources	191,698	0	0	0	191,698
Total revenues	8,305,630	1,038,847	794,456	801,441	10,940,374
EXPENDITURES:					
Current:					
Instruction:					
Regular instruction	3,788,112	0	0	95,464	3,883,576
Special instruction	1,384,622	0	0	0	1,384,622
Other instruction	787,962	0	0	331,715	1,119,677
	5,960,696	0	0	427,179	6,387,875
Support services:					
Student services	92,712	0	0	0	92,712
Instructional staff services	345,799	0	0	0	345,799
Administration services	789,188	0	0	14,804	803,992
Operation and maintenance of plant services	516,842	0	0	28,168	545,010
Transportation services	287,573	0	0	120,451	408,024
	2,032,114	0	0	163,423	2,195,537
Non-instructional:					
Community service & education operations	6,169	0	0	0	6,169
Other expenditures:					
Facilities acquisitions	0	8,390,894	0	95,065	8,485,959
Long-term debt:					
Principal	0	0	490,565	0	490,565
Interest and fiscal charges	0	0	535,999	0	535,999
AEA flowthrough	286,885	0	0	0	286,885
	286,885	8,390,894	1,026,564	95,065	9,799,408
Total expenditures	8,285,864	8,390,894	1,026,564	685,667	18,388,989
Excess(deficiency) of revenues over(under) expenditures	19,766	(7,352,047)	(232,108)	115,774	(7,448,615)
Other financing sources(uses):					
Transfers in	0	2,580,000	707,966	0	3,287,966
Transfers out	(29,478)	(3,128,563)	0	(129,925)	(3,287,966)
Total other financing sources(uses)	(29,478)	(548,563)	707,966	(129,925)	0
Net change in fund balances	(9,712)	(7,900,610)	475,858	(14,151)	(7,448,615)
Fund balance beginning of year	258,496	10,675,549	395,579	234,842	11,564,466
Fund balance end of year	\$ 248,784	2,774,939	871,437	220,691	4,115,851

SEE NOTES TO FINANCIAL STATEMENTS.

GILBERT COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
 TO THE STATEMENT OF ACTIVITIES
 YEAR ENDED JUNE 30, 2006

Net change in fund balances - total governmental funds (page 18) \$ (7,448,615)

*Amounts reported for governmental activities in the
 statement of activities are different because:*

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. The amounts of capital outlays and depreciation expense in the year are as follows:

Capital outlays	\$ 8,280,519	
Depreciation expense	<u>(267,917)</u>	8,012,602

The cost of equipment (\$2,700) as well as the corresponding depreciation (\$2,385) is removed from the capital assets account in the Statement of Net Assets resulting in a "loss on disposal of equipment" which is reported within the government-type expenses. Thus, more revenue is reported in the governmental funds than the Statement of Activities.

(315)

Repayment of long-term debt principal is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Assets

490,565

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due.

(18,169)

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental fund.

Early retirement		(69,580)
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Changes in net assets of governmental activities (page 15)

	<u>\$ 966,488</u>
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SEE NOTES TO FINANCIAL STATEMENTS.

GILBERT COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
PROPRIETARY FUND
JUNE 30, 2006

	<u>School Nutrition</u>
ASSETS	
Cash and cash equivalents	\$ 18,002
Inventories	6,477
Capital assets, net of accumulated depreciation	<u>27,681</u>
TOTAL ASSETS	<u>52,160</u>
LIABILITIES	
Deferred revenues	<u>11,201</u>
TOTAL LIABILITIES	<u>11,201</u>
NET ASSETS	
Invested in capital assets	27,681
Unrestricted	<u>13,278</u>
TOTAL NET ASSETS	<u>\$ 40,959</u>

SEE NOTES TO FINANCIAL STATEMENTS.

GILBERT COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2006

	<u>School Nutrition</u>
OPERATING REVENUE:	
Local sources:	
Charges for service	<u>\$ 260,148</u>
OPERATING EXPENSES:	
Food service operations:	
Salaries	113,271
Benefits	56,586
Services	2,103
Supplies	174,258
Depreciation	5,925
TOTAL OPERATING EXPENSES	<u>352,143</u>
OPERATING LOSS	<u>(91,995)</u>
NON-OPERATING REVENUES:	
Interest	543
State sources	4,864
Federal sources	83,770
TOTAL NON-OPERATING REVENUES	<u>89,177</u>
Change in net assets	(2,818)
Net assets at beginning of year	<u>43,777</u>
Net assets end of year	<u><u>\$ 40,959</u></u>

SEE NOTES TO FINANCIAL STATEMENTS.

GILBERT COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2006

	<u>School Nutrition</u>
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 259,875
Cash received from miscellaneous operating activities	1,238
Cash payments to employees for services	(169,857)
Cash payments to suppliers for goods or services	(155,313)
Net cash used in operating activities	<u>(64,057)</u>
Cash flows from non-capital financing activities:	
State grants received	4,864
Federal grants received	<u>64,264</u>
Net cash provided by non-capital financing activities	<u>69,128</u>
Cash flows from investing activities:	
Interest on investments	543
Net cash provided by investing activities	<u>543</u>
Net increase in cash and cash equivalents	5,614
Cash and cash equivalents at beginning of year	<u>12,388</u>
Cash and cash equivalents at end of year	<u>\$ 18,002</u>
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (91,995)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Commodities consumed	19,506
Depreciation	5,925
Decrease in inventories	1,542
Increase in deferred revenue	965
Net cash used in operating activities	<u>\$ (64,057)</u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS AT YEAR END TO SPECIFIC ASSETS INCLUDED ON COMBINED BALANCE SHEET:	
Current assets:	
Cash and pooled investments	<u>\$ 18,002</u>

NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:

During the year ended June 30, 2006, the District received Federal commodities valued at \$19,506.

SEE NOTES TO FINANCIAL STATEMENTS.

GILBERT COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

(1) Summary of Significant Accounting Policies

The Gilbert Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. Additionally, the District either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the City of Gilbert, Iowa, and the predominate agricultural territory in Boone and Story Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Gilbert Community School District has included all funds, organizations, Account groups, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the District. The Gilbert Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Boone and Story County Assessors' Conference Board.

B. Basis of Presentation

Government-wide financial statements - The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The Statement of Net Assets presents the District's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

Restricted net assets result when constraints placed on net assets use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net asset consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources that are imposed by management, but can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest that are restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for governmental, proprietary, and fiduciary funds, even though the latter are excluded from the Government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other nonmajor governmental funds.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenses, including instructional, support and other costs.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities.

The Debt Service Fund is utilized to account for the payment of interest and principal on the District's general long-term debt.

The District's proprietary fund is the School Nutrition Fund. The School Nutrition Fund is used to account for the food service operations of the District.

C. Measurement Focus and Basis of Accounting

The Government-wide financial statements and the proprietary and fiduciary fund financial statements are reported using the "economic resources measurement focus" and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments, and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

The proprietary fund of the District applies all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's enterprise fund is charges to

customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the balance sheet:

Cash, Pooled Investments and Cash Equivalents - The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for the investment in the Iowa Schools Joint Investment Trust which is valued at amortized cost and non-negotiable certificates of deposit which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, they have a maturity date no longer than three months.

Property Tax Receivable - Property tax in the governmental funds are accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the Government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2004 assessed property valuations; is for the tax accrual period July 1, 2005 through June 30, 2006 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2005.

Inventories - Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets - Capital assets, which include property, machinery, and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide statement of net assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
Land	\$ 1,000
Buildings	1,000
Improvements other than buildings	1,000
Machinery and equipment:	
School Nutrition Fund equipment	500
Other machinery and equipment	1,000

Capital assets are depreciated using the straight line method over the following estimated useful lives:

Asset Class	Estimated Useful Lives (In Years)
Buildings	50 years
Improvements other than buildings	20 years
Machinery and equipment	5-12 years

Deferred Revenue - Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivables and other receivables not collected within sixty days after year end.

Deferred revenue on the statement of net assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Long-term liabilities - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Assets.

Fund Equity - In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

Restricted Net Assets - In the Government-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2006, the District adopted one budget amendment increasing budgeted expenditures by \$7,691,024.

(2) **Cash and Pooled Investments**

The District's deposits at June 30, 2006 were entirely covered by federal depository insurance or State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The District had investments in the Iowa Schools Joint Investment Trust as follows:

	Amortized Cost
Diversified Portfolio	<u>\$ 1,203,902</u>

The investments are valued at an amortized cost pursuant to Rule 2a-7 under the Investment Company Act of 1940.

Credit risk. The investments in Iowa Schools Joint Investment Trust were rated Aaa by Moody's Investors Service.

(3) **Interfund Transfers**

The detail of interfund transfers for the year ended June 30, 2006 is as follows:

Transfer to	Transfer from	Amount
LOSST	Capital Projects	\$ 2,580,000
Debt Service	General	29,478
Debt Service	PPEL	129,925
Debt Sinking	LOSST	<u>548,563</u>
Total		<u>\$ 3,287,966</u>

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

(4) Iowa School Cash Anticipation Program (ISCAP)

The District participates in the Iowa School Cash Anticipation Program (ISCAP). ISCAP is a program of the Iowa Association of School Boards and is designed to provide funds to participating entities during periods of cash deficits. ISCAP is funded by a semiannual issuance of anticipatory warrants, which mature as noted below. The warrant sizing of each school corporation is based on a projection of cash flow needs during the semiannual period. ISCAP accounts are maintained for each participating entity, and monthly statements are provided regarding their cash balance, interest earnings and amounts available for withdrawal for each outstanding series of warrants. Bankers Trust Co. is the trustee for the program. A summary of the District's participation in ISCAP at June 30, 2006 is as follows:

Series	Warrant Date	Final Warrant Maturity	Investments	Accrued Interest Receivable	Warrants Payable	Accrued Interest Payable
2005-06A	6/28/2005	6/28/2006	3,327	0	0	0
2006-07A	6/28/2006	6/28/2007	982,632	306	984,000	250
Total			<u>\$ 985,959</u>	<u>306</u>	<u>984,000</u>	<u>250</u>

The District pledges its state foundation aid payments and General Fund receipts as security for warrants issued. Repayments must be made when General Fund receipts are received. If a balance is outstanding on the last date the funds are available to be drawn, then the District must repay the outstanding withdrawal from its General Fund receipts. In addition, the District must make minimum warrant repayments on the 25th of each month immediately following the final date that the warrant proceeds may be used in an amount equal to 25% of the warrant amount. ISCAP advance activity in the General Fund for the year ended June 30, 2006 is as follows:

Series	Balance Beginning of Year	Advances Received	Advances Repaid	Balance End of Year
2005-06A	\$ 0	50,000	50,000	0

The warrants bear interest and the available proceeds of the warrants are invested at the interest rates shown below:

Series	Interest Rates on Warrants	Interest Rates on Investments
2005-06A	3.500%	3.903%
2006-07A	4.500%	5.676%

(5) Capital Assets

Capital assets activity for the year ended June 30, 2006 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 459,445	0	0	459,445
Construction in progress	2,365,433	8,124,623	0	10,490,056
Total capital assets not being depreciated	2,824,878	8,124,623	0	10,949,501
Capital assets being depreciated:				
Buildings	6,196,393	0	0	6,196,393
Land improvements	656,265	0	0	656,265
Machinery and equipment	1,729,548	155,896	443,614	1,441,830
Total capital assets being depreciated	8,582,206	155,896	443,614	8,294,488
Less accumulated depreciation for:				
Buildings	2,302,435	110,428	0	2,412,863
Land improvements	381,241	26,345	0	407,586
Machinery and equipment	1,258,083	131,144	443,299	945,928
Total accumulated depreciation	3,941,759	267,917	443,299	3,766,377
Total capital assets being depreciated, net	4,640,447	(112,021)	315	4,528,111
Governmental activities capital assets, net	\$ 7,465,325	8,012,602	315	15,477,612

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Business-type activities:				
Machinery and equipment	\$ 105,666	0	0	105,666
Less accumulated depreciation	72,060	5,925	0	77,985
Business-type activities capital assets	\$ 33,606	(5,925)	0	27,681

Depreciation expense was charged by the District as follows:

Governmental activities:	
Instruction:	
Regular	\$ 62,347
Special	2,112
Other	5,121
Support services:	
Instructional staff	3,467
Administration services	996
Operation and maintenance of plant services	7,298
Transportation	49,803
	<u>131,144</u>
Unallocated depreciation	<u>136,773</u>
Total governmental activities depreciation expense	<u>\$ 267,917</u>
Business-type activities:	
Food services	<u>\$ 5,925</u>

(6) Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2006 is as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
General obligation bonds	\$ 9,740,000	0	350,000	9,390,000	360,000
Capital loan note	360,000	0	115,000	245,000	120,000
Revenue bonds	3,870,000	0	0	3,870,000	390,000
Energy loan	80,845	0	25,565	55,280	26,924
Early retirement	57,179	99,759	30,179	126,759	78,759
Total	\$ 14,108,024	99,759	520,744	13,687,039	975,683

Capital Loan Notes

On December 1, 1998, the District issued capital loan notes of \$1,080,000. Details of the District's capital loan notes indebtedness, which is paid from the Physical Plant and Equipment Levy Fund (PPEL), are as follows:

Year Ending June 30,	Interest Rate	Principal	Interest	Total
2007	4.00	120,000	9,926	129,926
2008	4.00	125,000	5,126	130,126
Total		\$ 245,000	15,052	260,052

Energy Loan

The District purchased new lighting for the elementary and secondary buildings and installed a geothermal heating/cooling system. The loan payments, which are made from the General Fund, are as follows:

Year Ending June 30,	Interest Rate	Principal	Interest	Total
2007	5.25	26,924	2,553	29,477
2008	5.25	28,356	1,121	29,477
Total		\$ 55,280	3,674	58,954

General Obligation Bonds

Details of the District's June 30, 2006 General Obligation bonds indebtedness is as follows:

Year Ending June 30,	Interest Rate	Bond issue of July 1, 2004		
		Principal	Interest	Total
2007	4.05	0	360,545	360,545
2008	4.05	0	360,545	360,545
2009	4.05	0	360,545	360,545
2010	4.05	410,000	356,394	766,394
2011	4.05	425,000	339,586	764,586
2012	4.05	440,000	322,272	762,272
2013	4.05	460,000	304,250	764,250
2014	4.05	475,000	285,518	760,518
2015	4.05	495,000	266,079	761,079
2016	4.05-4.15	515,000	245,829	760,829
2017	4.15-4.30	540,000	224,273	764,273
2018	4.30-4.40	560,000	201,040	761,040
2019	4.40-4.50	585,000	176,320	761,320
2020	4.50-4.60	615,000	149,803	764,803
2021	4.60-4.65	640,000	121,320	761,320
2022	4.65	670,000	91,291	761,291
2023	4.65-4.70	705,000	59,787	764,787
2024	4.70-4.75	740,000	26,270	766,270
		<u>\$ 8,275,000</u>	<u>4,251,667</u>	<u>12,526,667</u>

Year Ending June 30,	Interest Rate	Bond issue of July 1, 2004		
		Principal	Interest	Total
2007	2.70-2.90	255,000	22,895	277,895
2008	3.00-3.15	265,000	15,487	280,487
2009	3.30-3.45	275,000	7,058	282,058
		<u>\$ 795,000</u>	<u>45,440</u>	<u>840,440</u>

Year Ending June 30,	Interest Rate	Bond issue of June 1, 1995		
		Principal	Interest	Total
2007	5.40	105,000	17,716	122,716
2008	5.50	105,000	12,046	117,046
2009	5.70	110,000	6,270	116,270
Subtotal		<u>\$ 320,000</u>	<u>36,032</u>	<u>356,032</u>
Total		<u>\$ 9,390,000</u>	<u>4,287,699</u>	<u>12,882,699</u>

Revenue Bonds

During the year, the District issued Revenue Bonds of \$3,870,000. Details of the District's June 30, 2006 indebtedness is as follows:

Year Ending June 30,	Interest Rate	Bond issue of March 1, 2005		
		Principal	Interest	Total
2007	3.00	390,000	115,345	505,345
2008	3.00	450,000	102,745	552,745
2009	3.00	465,000	89,020	554,020
2010	3.00	480,000	74,845	554,845
2011	3.00	495,000	60,220	555,220
2012	3.15	510,000	44,763	554,763
2013	3.35	530,000	27,852	557,852
2014	3.45	550,000	9,487	559,487
Total		<u>\$ 3,870,000</u>	<u>524,277</u>	<u>4,394,277</u>

Early Retirement

The District offers a voluntary early retirement plan to its all employees. Eligible employees must be at least age fifty-five and must have completed twelve years of continuous service to the District. Employees must complete an application which is subject to approval by the Board of Education. The early retirement incentives for each eligible employee is equal to 45% of the employee's base salary calculated by using the current year regular salary schedule. Early retirement benefits paid during the year ended June 30, 2006, totaled \$30,179.

(7) Pension and Retirement Benefits

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 3.70% of their annual salary and the District is required to contribute 5.75% of annual payroll for the years ended June 30, 2006, 2005, 2004.

Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2006, 2005, and 2004 were \$281,368, \$258,992, and \$250,485, respectively, equal to the required contributions for each year.

(8) Risk Management

The District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(9) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$286,885 for the year ended June 30, 2006 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

(10) Construction Commitments

The District has active construction projects as of June 30, 2006. The projects include a new middle school. At the end of the year, the District paid \$10,490,060 with \$1,359,634 of outstanding contract agreements to be paid upon completion of the capital projects.

REQUIRED SUPPLEMENTARY INFORMATION

GILBERT COMMUNITY SCHOOL DISTRICT
BUDGETARY COMPARISON OF REVENUES, EXPENDITURES AND
CHANGES IN BALANCES -
BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS
AND PROPRIETARY FUNDS
REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2006

	Governmental	Proprietary	Total	Budgeted Amounts		Final to Actual Variance - Positive (Negative)
	Fund Types	Fund Type		Original	Final	
	Actual	Actual	Actual			
Revenues:						
Local sources	\$ 6,499,397	260,691	6,760,088	6,446,056	6,446,056	314,032
State sources	4,249,279	4,864	4,254,143	4,776,840	4,776,840	(522,697)
Federal sources	191,698	83,770	275,468	325,000	325,000	(49,532)
Total revenues	10,940,374	349,325	11,289,699	11,547,896	11,547,896	(258,197)
Expenditures:						
Instruction	6,387,875	0	6,387,875	7,615,094	6,850,000	462,125
Support services	2,195,537	0	2,195,537	2,678,000	2,850,000	654,463
Non-instructional programs	6,169	352,143	358,312	517,277	495,000	136,688
Other expenditures	9,799,408	0	9,799,408	3,093,605	11,400,000	1,600,592
Total expenditures	18,388,989	352,143	18,741,132	13,903,976	21,595,000	2,853,868
Excess(deficiency) of revenues over(under) expenditures	(7,448,615)	(2,818)	(7,451,433)	(2,356,080)	(10,047,104)	2,595,671
Other financing sources, net	0	0	0	505,744	0	505,744
Excess(deficiency) of revenues and other financing sources over(under) expenditures	(7,448,615)	(2,818)	(7,451,433)	(1,850,336)	(10,047,104)	3,101,415
Balance beginning of year	11,564,466	43,777	11,608,243	1,850,336	1,850,336	9,757,907
Balance end of year	\$ 4,115,851	40,959	4,156,810	0	(8,196,768)	12,859,322

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

GILBERT COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING
YEAR ENDED JUNE 30, 2006

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparison for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds, except Private Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on a GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functional areas, not by fund or fund type. These four functional areas are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents functional area expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not at the fund or fund type level. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District adopted one budget amendment increasing budgeted expenditures by \$7,691,024.

OTHER SUPPLEMENTARY INFORMATION

GILBERT COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2006

	Manage- ment Levy	Physical Plant & Equipment Levy	Student Activity	Total
ASSETS				
Cash and pooled investments	\$ 31,357	63,566	122,781	217,704
Receivables:				
Property tax:				
Current year delinquent	673	2,314	0	2,987
Succeeding year	250,000	386,491	0	636,491
TOTAL ASSETS	\$ 282,030	452,371	122,781	857,182
LIABILITIES AND FUND BALANCES				
Liabilities:				
Deferred revenue:				
Succeeding year property tax	250,000	386,491	0	636,491
Total liabilities	250,000	386,491	0	636,491
Fund balances:				
Unreserved:				
Undesignated	32,030	65,880	122,781	220,691
Total fund balances	32,030	65,880	122,781	220,691
TOTAL LIABILITIES AND FUND BALANCES	\$ 282,030	452,371	122,781	857,182

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

GILBERT COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 YEAR ENDED JUNE 30, 2006

	Manage- ment Levy	Physical Plant & Equipment Levy	Student Activity	Total
REVENUES:				
Local sources:				
Local tax	\$ 100,056	344,118	0	444,174
Other	7,726	5,053	344,261	357,040
State sources	51	176	0	227
TOTAL REVENUES	107,833	349,347	344,261	801,441
EXPENDITURES:				
Current:				
Instruction:				
Regular instruction	83,871	11,593	0	95,464
Other instruction	0	0	331,715	331,715
Support services:				
Administration services	14,804	0	0	14,804
Operation and maintenance of plant services	28,168	0	0	28,168
Transportation services	10,269	110,182	0	120,451
Other expenditures:				
Facility acquisition	0	95,065	0	95,065
TOTAL EXPENDITURES	137,112	216,840	331,715	685,667
Excess(deficiency) of revenues over(under) expenditures	(29,279)	132,507	12,546	115,774
Other financing uses:				
Transfers out	0	(129,925)	0	(129,925)
Net change in fund balances	(29,279)	2,582	12,546	(14,151)
Fund balance beginning of year	61,309	63,298	110,235	234,842
Fund balance end of year	\$ 32,030	65,880	122,781	220,691

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

GILBERT COMMUNITY SCHOOL DISTRICT
SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
YEAR ENDED JUNE 30, 2006

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
Boys basketball	\$ 3,577	9,482	9,027	4,032
Girls basketball	1,892	11,706	7,761	5,837
Football	2,467	17,625	19,999	93
Soccer	1,516	5,136	5,986	666
Baseball	14	19,736	19,580	170
Softball	9	6,597	6,511	95
Boys track/CC	2,926	6,252	6,034	3,144
Girls track/CC	9,511	3,265	9,254	3,522
Golf	1,873	2,033	1,542	2,364
Wrestling	0	7,210	7,198	12
Volleyball	5,101	6,110	9,601	1,610
Cheerleading I	9	6,634	6,642	1
G club	8,251	3,082	4,200	7,133
Fitness club	2,017	1,334	2,224	1,127
Annual	5,929	19,525	21,699	3,755
Business club	1,127	740	470	1,397
Drama	2,429	3,181	4,893	717
After prom	546	7,987	6,795	1,738
FCCLA	5	47,026	46,692	339
History club	682	480	578	584
HS student council	608	3,752	3,693	667
JH student council	4	306	298	12
SADD	52	359	212	199
Spanish club	2,504	8,490	8,901	2,093
Art club	4	4,092	4,023	73
Secondary student pop	3,574	3,094	378	6,290
Secondary teachers pop	124	168	213	79
Secondary LMC	382	145	353	174
National honor society	515	579	798	296
Science club	8	0	0	8
FFA	4,093	6,815	8,318	2,590
Student activity	7,081	3,980	6,276	4,785
Elementary TAG	3	0	0	3
Elementary book fair	118	7	125	0
Character counts	0	1,796	1,795	1
GESS	18,664	47,839	44,771	21,732
Elementary pop	732	215	447	500
Elementary principal	2,764	343	789	2,318
Elem 6th grade carnival	1,776	1,719	1,432	2,063
Instrumental music	4,401	25,850	23,148	4,677
Secondary band	2,043	16,712	106	18,649
Elementary band	360	740	766	334
Vocal music	2,285	11,416	11,917	1,784
Adult education	463	0	0	463
Elementary health club	341	468	303	506
General activity	1,506	1,629	2,137	998
Industrial education projects	2	498	363	137
Agriculture education	723	2,062	2,656	129
Alumni	695	249	0	944
Class of 05	249	0	249	0
Class of 06	2,067	2,395	3,380	1,082
Class of 07	506	10,563	8,003	3,066
Class of 08	0	1,111	436	675
Student padlock	1,707	864	225	2,346
MS student activity	0	1,955	29	1,926
MS guidance	0	500	0	500
	<u>\$ 110,235</u>	<u>344,261</u>	<u>331,715</u>	<u>122,781</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

GILBERT COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION
 ALL GOVERNMENTAL FUND TYPES
 FOR THE LAST FOUR YEARS

	Modified Accrual Basis			
	Years Ended June 30,			
	2006	2005	2004	2003
Revenues:				
Local sources:				
Local tax	\$ 4,902,630	4,554,887	3,960,802	3,157,622
Tuition	781,055	797,463	779,286	752,732
Other	815,712	765,286	450,714	413,524
State sources	4,249,279	3,988,614	3,548,507	3,510,642
Federal sources	191,698	226,429	167,216	70,730
Total	<u>\$ 10,940,374</u>	<u>10,332,679</u>	<u>8,906,525</u>	<u>7,905,250</u>
Expenditures:				
Instruction:				
Regular instruction	\$ 3,883,576	3,400,124	3,184,131	3,089,308
Special instruction	1,384,622	1,575,302	1,337,762	1,139,223
Other instruction	1,119,677	990,884	874,004	786,766
Support services:				
Student services	92,712	99,117	94,973	132,030
Instructional staff services	345,799	336,575	290,551	288,456
Administration services	803,992	658,949	643,275	595,973
Operation and maintenance of plant services	545,010	545,481	493,087	554,503
Transportation services	408,024	376,937	310,496	272,912
Central support services	0	0	45,195	39,193
Non-instructional:				
Community service & education operations	6,169	8,621	5,623	10,081
Other expenditures:				
Facilities acquisitions	8,485,959	2,428,951	435,506	35,748
Long Term Debt:				
Principal	490,565	479,273	433,083	416,884
Interest	535,999	443,017	134,894	153,806
AEA flow-through	286,885	265,059	244,617	252,761
Total	<u>\$ 18,388,989</u>	<u>11,608,290</u>	<u>8,527,197</u>	<u>7,767,644</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

NOLTE, CORNMAN & JOHNSON P.C.
Certified Public Accountants
(a professional corporation)
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Telephone (641) 792-1910

Independent Auditor's Report on Internal Control over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial Statements Performed in
Accordance with Government Auditing Standards

To the Board of Education of the
Gilbert Community School District:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Gilbert Community School District as of and for the year ended June 30, 2006, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated August 10, 2006. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Gilbert Community School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in Part I of the accompanying Schedule of Findings.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we believe items I-A-06 is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Gilbert Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2006 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

This report, a public record by law, is intended solely for the information and use of the officials, employees, and citizens of Gilbert Community School District and other parties to Gilbert Community School District may report including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Gilbert Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.


NOLTE, CORNMAN & JOHNSON, P.C.

August 10, 2006

GILBERT COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2006

Part I: Findings Related to the General Purpose Financial Statements:

REPORTABLE CONDITIONS:

I-A-06 Segregation of Duties - One important aspect of the internal control structure is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. Cash receipts are issued and bank deposits are prepared by the same person. An independent person does not open the mail and prepare an initial listing of the checks received and later compare the listing to the receipts issued. Also, vouchers are processed, disbursements are recorded, and checks are prepared by the same person.

Recommendation - We realize that with a limited number of office employees, segregation of duties is difficult. However the District should review its control procedures to obtain the maximum internal control possible under the circumstances.

Response - We will investigate available alternatives and implement as soon as possible.

Conclusion - Response accepted.

I-B-06 Student Activity Fund - We noted during our audit that the Student Activity Fund included a General Activity account where the money appears to be controlled by teachers for break room beverages and flowers sent to funerals. Also noted in the Student Activity Fund was a student padlock account.

Recommendation - Because the General Activity account as well as the padlock account do not appear to be cocurricular or extra curricular in nature they may be more appropriate in the General Fund.

Response - We will evaluate these two accounts and make the necessary adjustments.

Conclusion - Response accepted.

I-C-06 Student Activity Fund - We noted during our audit that the Student Activity fund included an interest account and the interest earned during the year was not allocated.

Recommendation - The interest earned each year should be allocated out at on an annual basis to the individual activity accounts.

Response - Interest in the Student Activity Fund will be allocated out on an annual basis in the future.

Conclusion - Response accepted.

GILBERT COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2006

Part II: Other Findings Related to Statutory Reporting

- II-A-06 Certified Budget - District disbursements for the year ended June 30, 2006, did not exceed the amount budgeted.
- II-B-06 Questionable Disbursements - We noted no disbursements that may not meet the requirements for public purpose as defined in an Attorney General's opinion dated April 25, 1979.
- II-C-06 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.
- II-D-06 Business Transactions - Business transactions between the District and District officials or employees are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Marcia DeZonia, Board President	Assessment consulting	\$1,000

In accordance with Chapter 279.7A of the Code of Iowa, the transactions with the Board President does not appear to be a conflict of interest.

- II-E-06 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- II-F-06 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.
- II-G-06 Certified Enrollment - We noted a variance in the basic enrollment data certified to the Department of Education. When supplementary weighting for certified enrollment was calculated, open enrolled in students were in the student counts for classes taken. Only resident students taking qualifying classes should be counted in supplementary weighting.
- Recommendation - The District should contact the Iowa Department of Education and the Department of Management to resolve this matter.
- Response - The Department of Education and the Department of Management have been contacted and the problem has been resolved.
- Conclusion - Response accepted.
- II-H-06 Deposits and Investments - We noted no instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.
- II-I-06 Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely, and we noted no significant deficiencies in the amounts reported.